

New twist to pyramid schemes

Do you have a friend who wants to “let you in on the ground floor” of a fantastic business opportunity? Think twice if the opportunity involves making an initial “gift” and then you just have to recruit new members into the business—this is only a new twist to the age-old pyramid scheme.

Pyramids are subject to Wisconsin laws that prohibit untrue, deceptive or misleading presentations and unfair practices.

The new twist

Pyramid schemes may be disguised as games, buying clubs, motivational companies, chain letters, mail order operations or multi-level business opportunities. They all have the theme of get-rich-quick. The latest versions are called “giving” or “gifting” networks. Consumers are asked to “make a contribution”

to the chairperson of the plan, who is on top of the pyramid.

Pyramid promoters are targeting closely-knit social and religious organizations, encouraging participants to bring in friends and relatives.

Pyramid Progression	
Level	# of People
1	6
2	36
3	216
4	1,296
5	7,776
6	46,656
7	279,936
8	1,679,616
9	10,077,696

People want to believe friends or relatives, so they are discouraged from checking first with The Bureau of Consumer Protection or Better Business Bureau.

There are many types of pyramid schemes, and the number of people involved

varies. Consider the numbers if one person recruited six “investors,” each of whom, in turn, had to recruit six others. Carried through nine progressions it would require over 10 million people! (See illustration).

The company or one individual is at the top. When the supply of people runs out, the pyramid collapses, and most people at the bottom of the pyramid lose their money.

Characteristics of a pyramid

- Emphasis is on recruiting new participants, rather than selling a product or service.
- A product or service may be offered but is largely ignored.
- Presented as a “unique” way to obtain quick and easy living.
- Unclear where money is being spent.

(over)

- Concentrate on recruiting people with limited means and knowledge of business.
- Participants may initially make some money.
- Participants rarely complain.

Protect yourself

Before you invest, ask for the company's business and financial statements. Check references and background.

Where is the company incorporated: Out-of-state

corporations are often difficult to track down.

Beware of statements by the company that it has the approval of a government agency, Better Business Bureau or Chamber of Commerce. None of these organizations ever endorse or approve specific marketing plans.

For more information or to file a complaint, contact the

Bureau of Consumer Protection at:

(800)422-7128.

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